



2016 Baseline Study: Farm Management and Planning on Ontario Farms

Purpose & Results

PURPOSE

The overall purpose of this project is to understand business management planning activities on Ontario farms, including the drivers and barriers to implementing planning activities.

This Baseline Study Update also provides tracking of key measures captured in 2011 to see if progress has been made in capturing a larger 'planning' audience within the farming sector.

KEY FINDINGS

- **Generally, management activities currently conducted on-farm have remained steady since 2011**
 - Most management activities conducted by less than 60% of farmers
 - Penetration of benchmarking activities is lowest, but has increased since 2011
 - Individual management activities have more penetration than planning activities
- **Plan awareness and implementation has declined since 2011**
 - ONLY EXCEPTION is business planning
 - All other plans implemented by less than 20% of farmers
- **Non-planners do not see benefit to planning**
- **Segmentation analysis results very similar to 2011**
 - 4 out of 5 segments remain the same
 - 'Strugglers' have replaced 'Independents'

Presentation Overview



Introduction



Respondent Profile



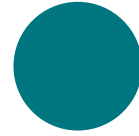
Goals and Goal Achievement



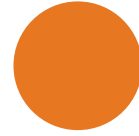
Awareness and Familiarity of Business
Management Planning



Development and Use of Farm Business
Management Plans



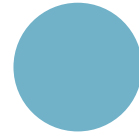
Bringing it all Together: Use of a Formal
Written Business Plan



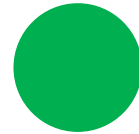
Impact of 'Key Drivers' on Farm
Financial Health



Training and Education



Segmentation Results



Organizational Awareness

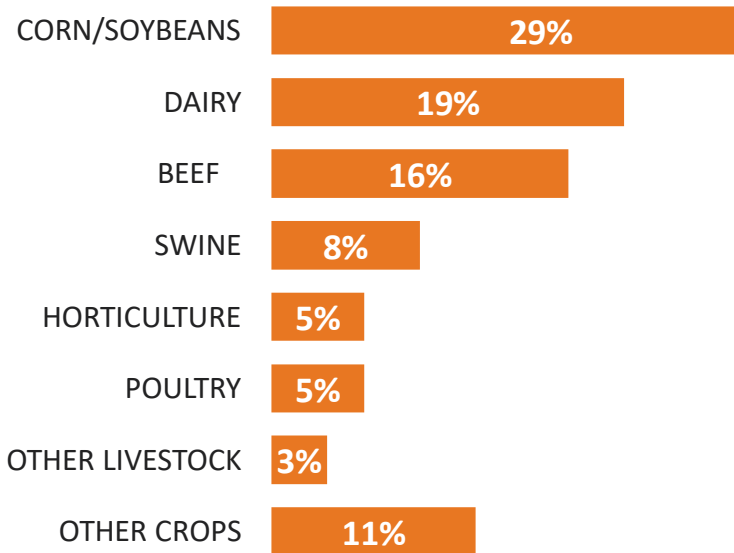


RESPONDENT PROFILE & FARM OPERATION OVERVIEW

MAIN FARM TYPE



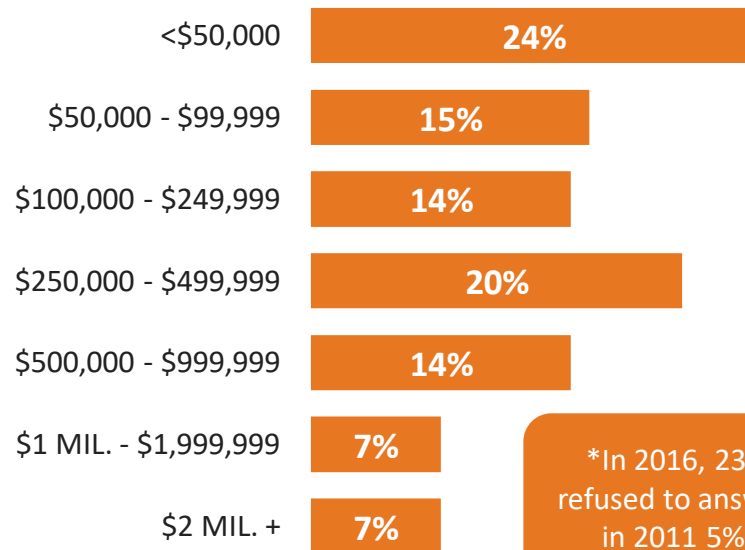
Sample frame similar to 2011



GROSS FARM SALES



Farm size of respondents, by gross farm sales, is a little larger in 2016 compared to 2011*.



*In 2016, 23% refused to answer, in 2011 5%.

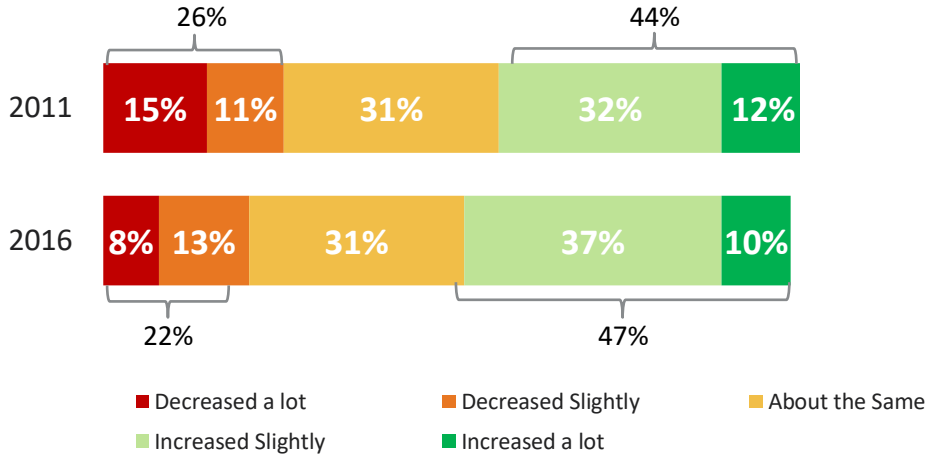
Q2. Would you be willing to tell us your total gross farm sales for 2015, please be as precise as possible?

Base: Respondents who answered (in 2011 2% of respondents refused to answer ' in 2015 23% refused to answer or did not know)

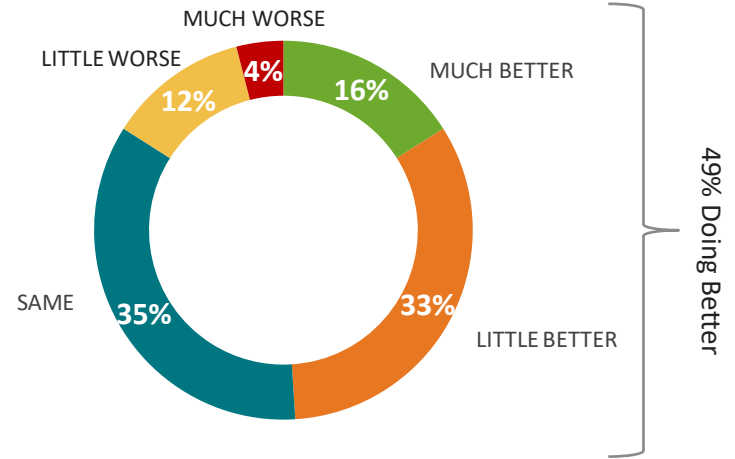
Q3. Which of the following types of farming or production contributed to your gross farm sales last year, in 2015? Base: Total Respondents

Growth and Financial Health of Farm Operation

CHANGE IN GROSS FARM SALES



CURRENT FINANCIAL HEALTH OF OPERATION



Q8. In the past 5 years have your gross farm sales....

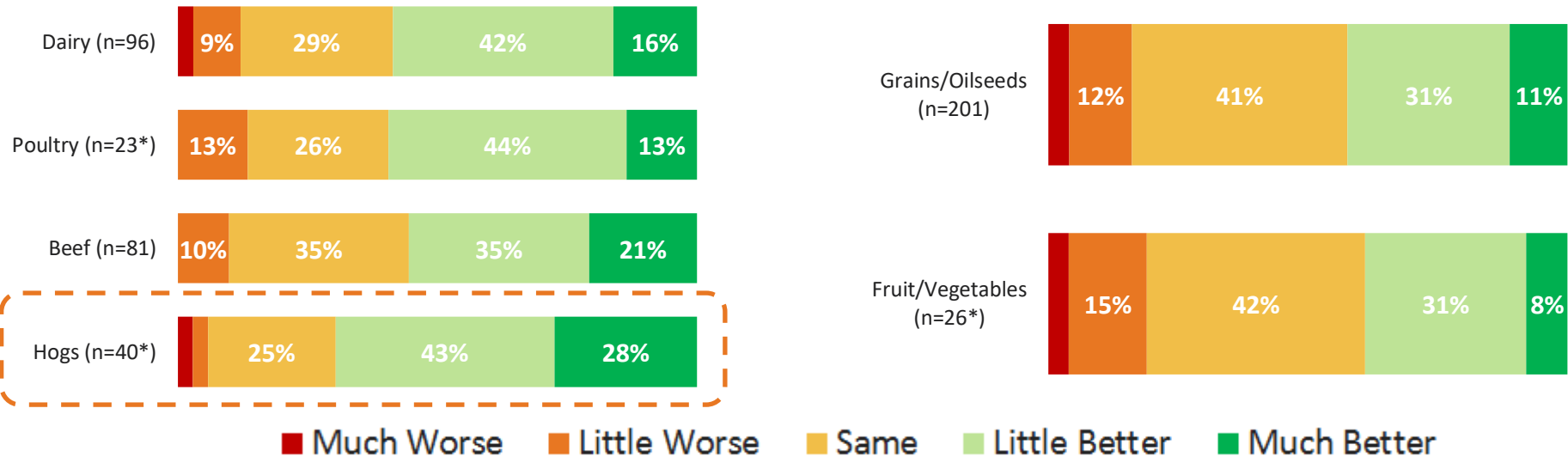
Q9. Relative to five years ago, which of the following best describes the financial health of your operation?

Base: Total Respondents (2016:n=499/2011:n=500)

- Trend in gross farm sales is only slightly better in 2016 compared to 2011. However, nearly 50% of farm respondents feel that the financial health of their operations has improved, suggesting efficiencies or debt reduction have been made rather than simply increasing GFS.

Health of Farm Operation by Farm Type

- Compared to five years ago, hog operations feel their operations are doing better compared to crops and dairy.



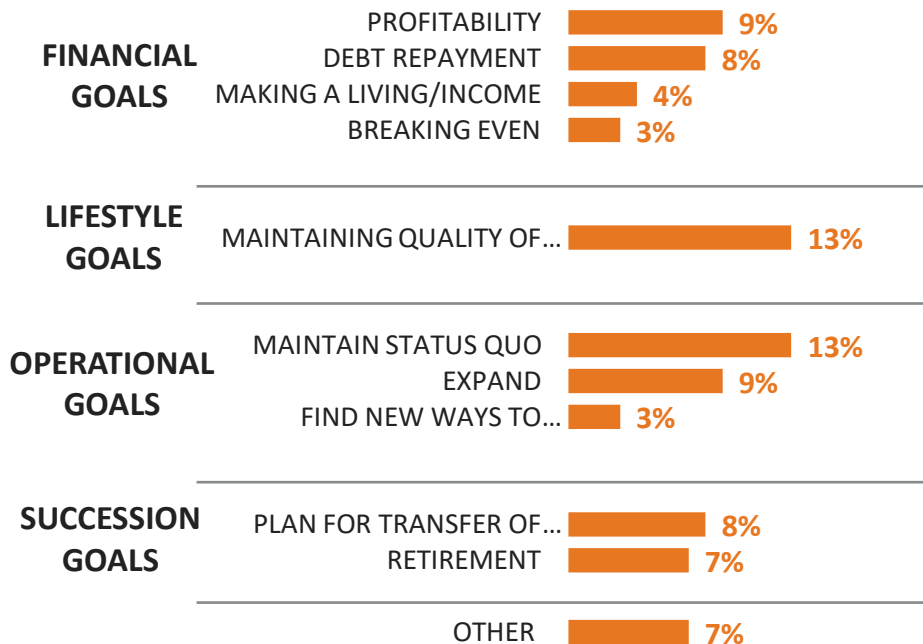
Q9. Relative to five years ago, which of the following best describes the financial health of your operation?



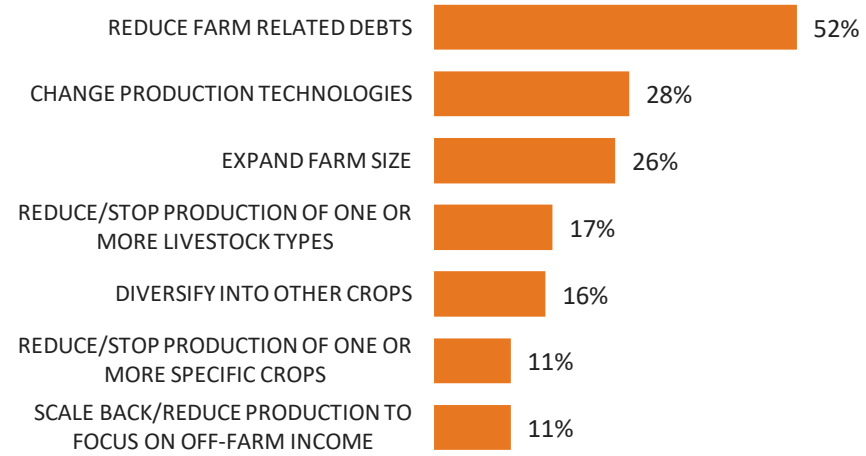
GOALS & GOAL ACHIEVEMENT

Short-term Goals

Unaided



Aided



Barriers to Achieving Goals:

- Instability of commodity markets
- Government regulations

Q15. Thinking about your farm operation, what would you say is your most important goal for the next 2-3 years? Base: Total Respondents (n=499)

Q16. What is the largest threat or barrier to achieving your goals? Base: Total Respondents (n=499)

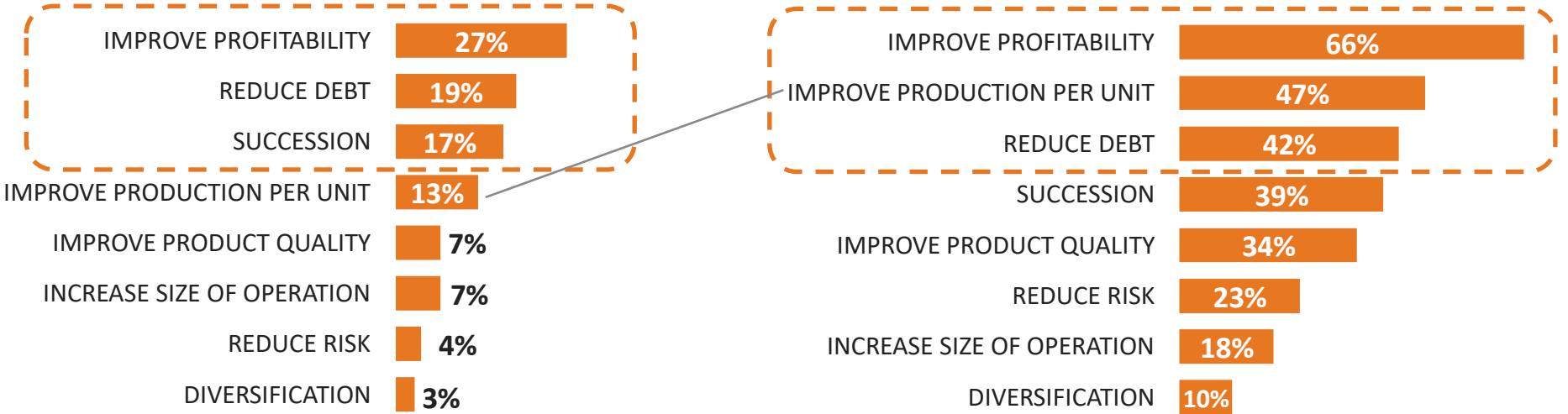
Q19. Thinking of the next 5 years, have you set any of the following goals for your farm operation? Base: Total Respondents (n=499)

Most Important Business Objectives

- Improving profitability is, by far, the most important goal of farm businesses in 2016.

MOST IMPORTANT

TOTAL MENTIONS

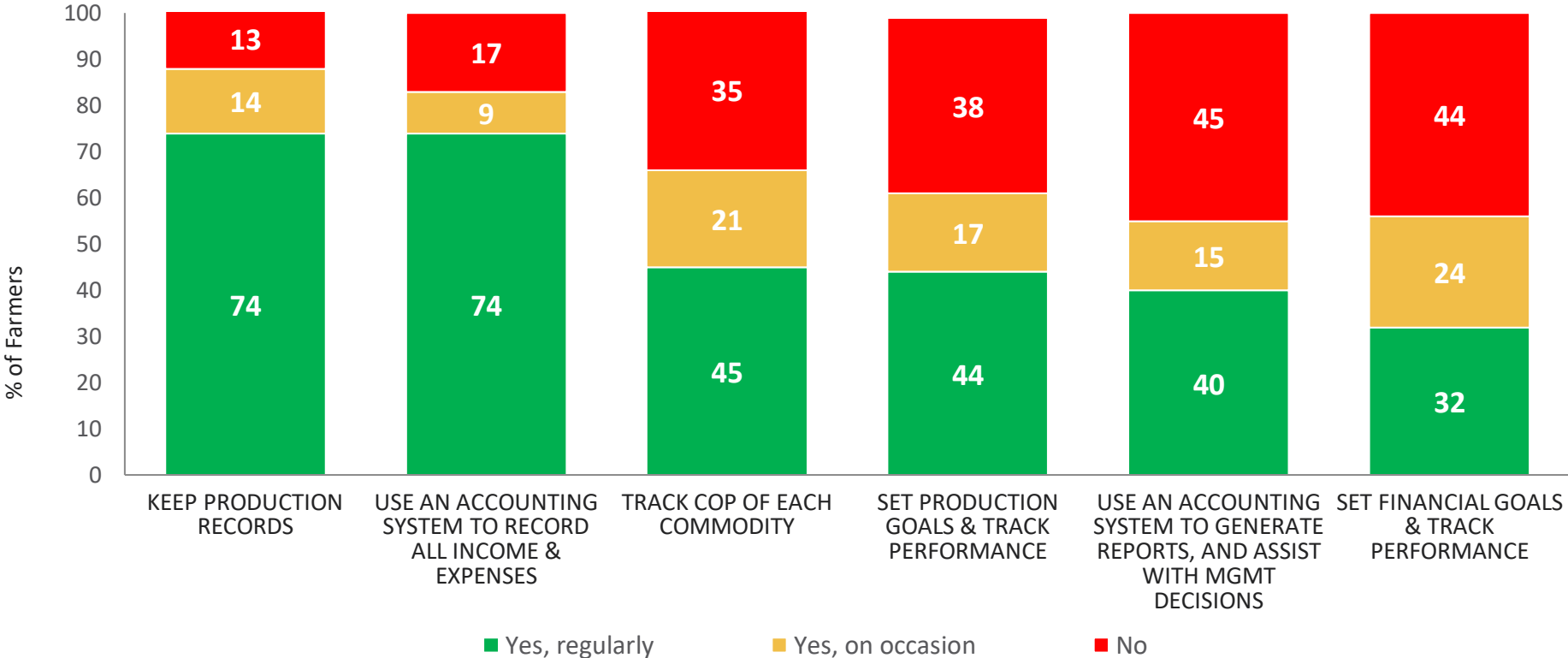


Q20. I am going to read you a short list of business objectives. After I am finished reading you the list I would like you to identify the objective that you personally consider to be the most important for your farm looking forward. And what would you consider the second most important? And what would you consider the third most important? Base: Total Respondents (n=499)



AWARENESS & FAMILIARITY WITH FARM BUSINESS MANAGEMENT PLANNING

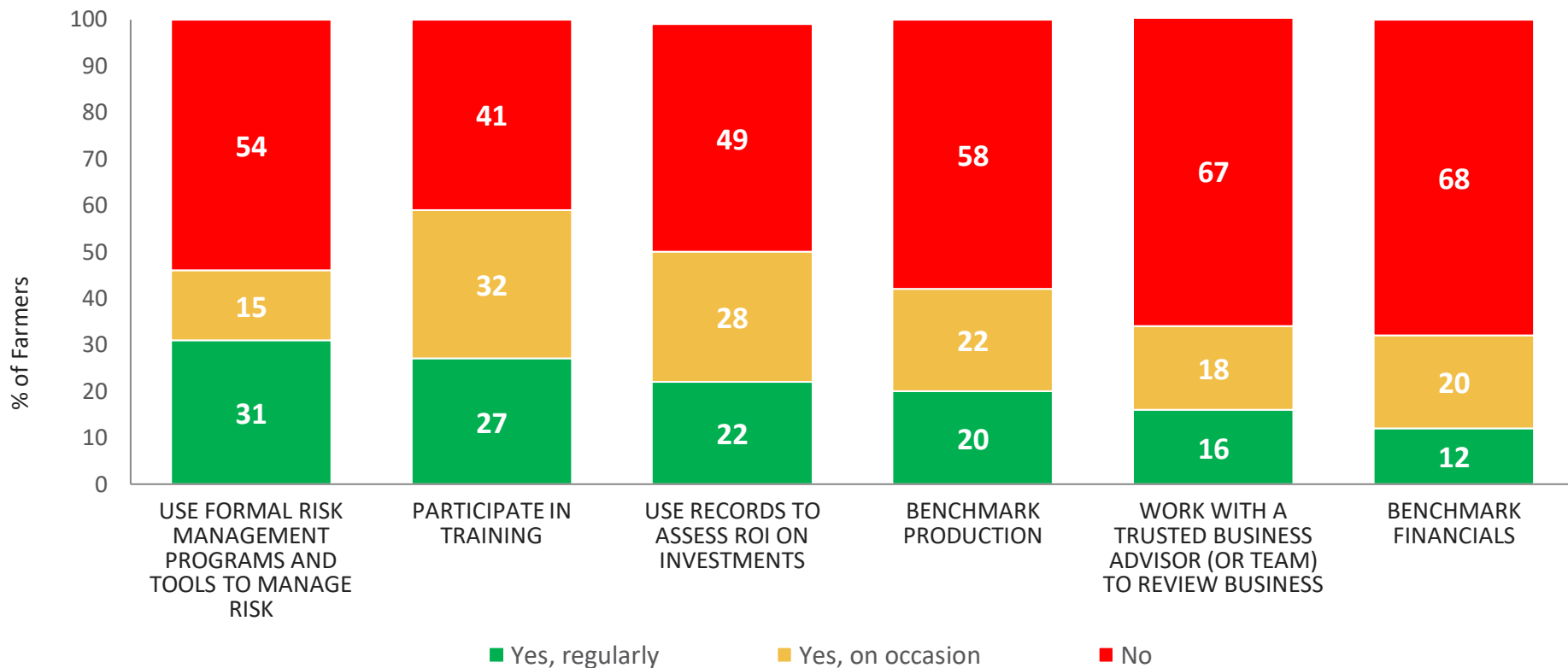
Management Activities Currently Conducted (1 of 2)



Q18. Which of the following management activities do you currently conduct on your farm operation, do you...?

Base: Total Respondents (n=499)

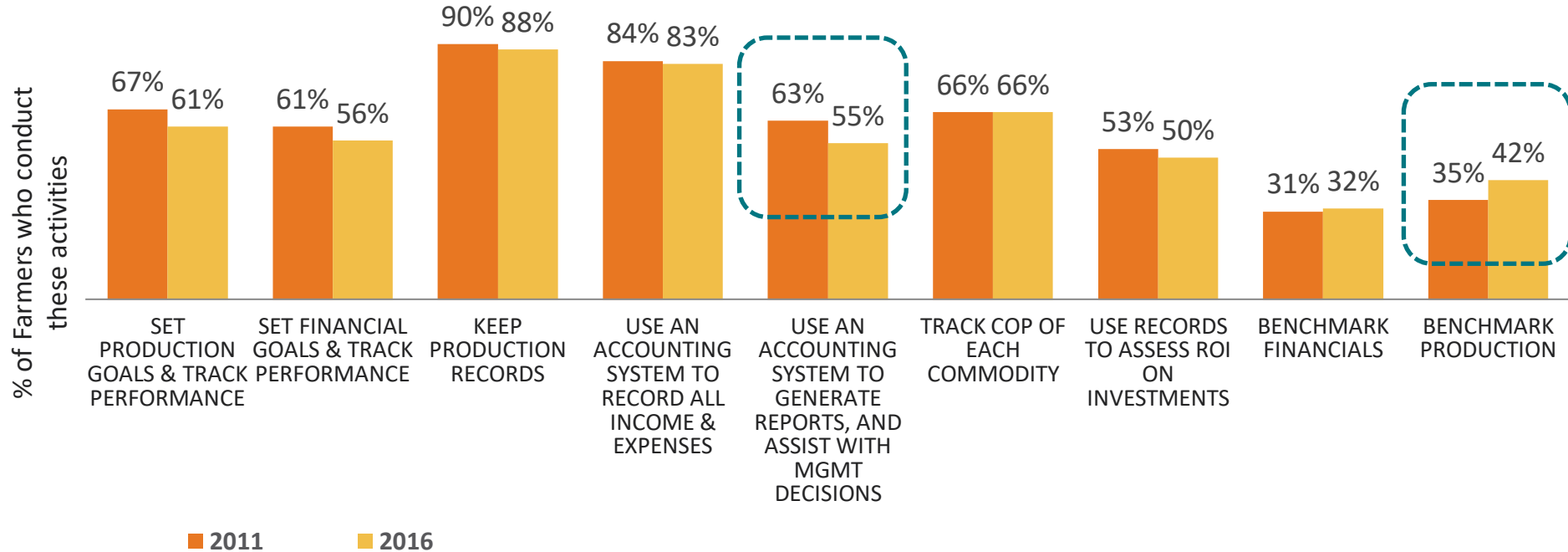
Management Activities Currently Conducted (2 of 2)



Q18. Which of the following management activities do you currently conduct on your farm operation, do you...?

Base: Total Respondents (n=499)

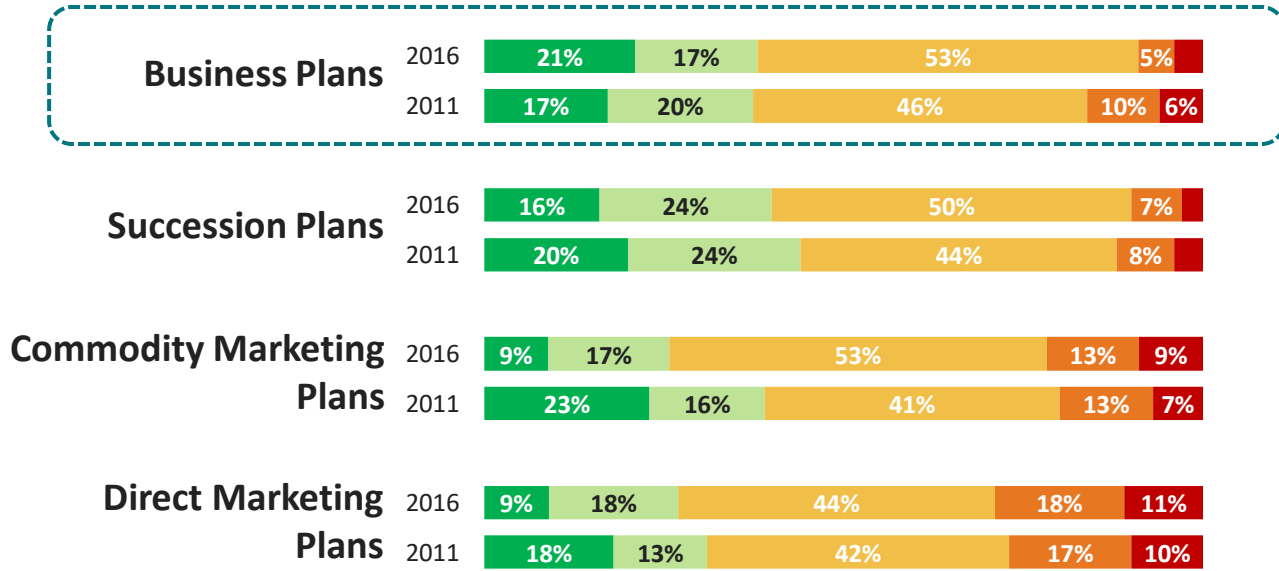
Generally, the Same Management Activities Conducted 2011 vs 2016



Q18. Which of the following management activities do you currently conduct on your farm operation, do you...? Base: Total Respondents (n=499)

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Aided Familiarity with Different Plan Types

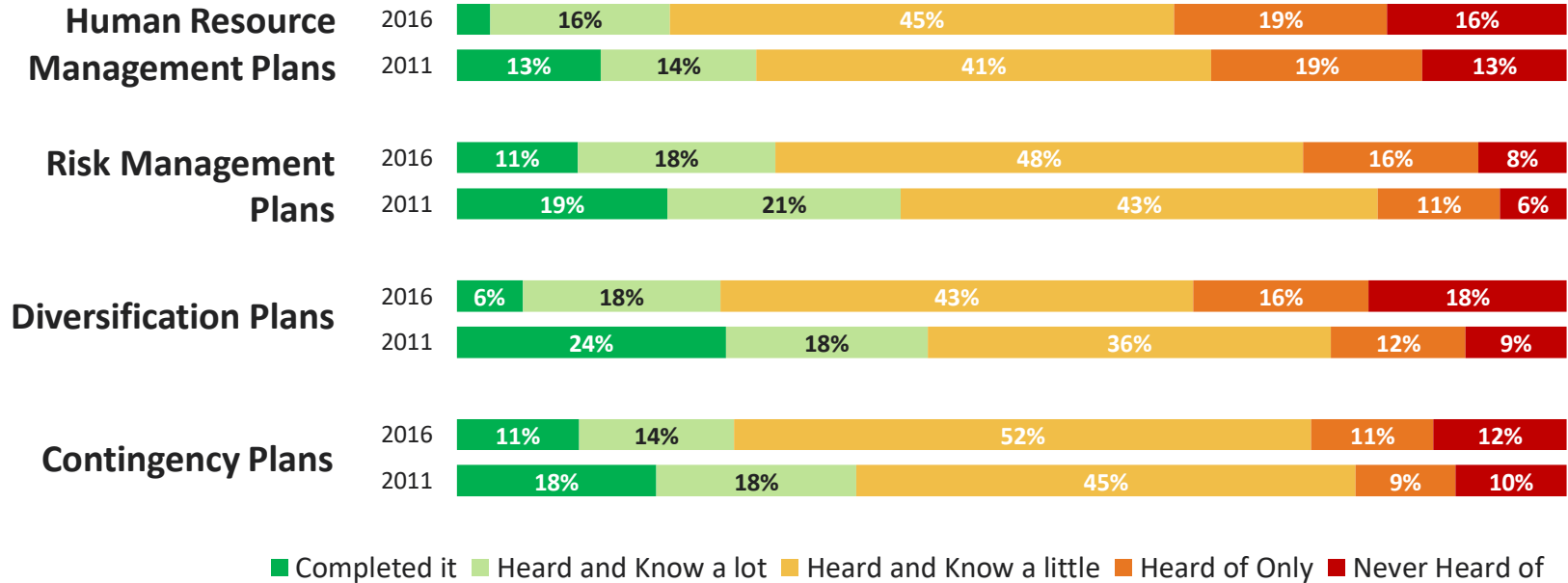


- Implementation and awareness of business plans has improved since 2011; more so on awareness.
- Implementation of succession plans has declined only slightly, but awareness has improved.
- Implementation and familiarity of all other plans has declined. This suggests that farmers may only be focusing on one business plan.

■ Completed it ■ Heard and Know a lot ■ Heard and Know a little ■ Heard of Only ■ Never Heard of

Q22. (To start), what describes your level of familiarity with a [INSERT PLAN], would you say you...? Base: Total Respondents(n=499)

Aided Familiarity with Different Plan Types Cont'd



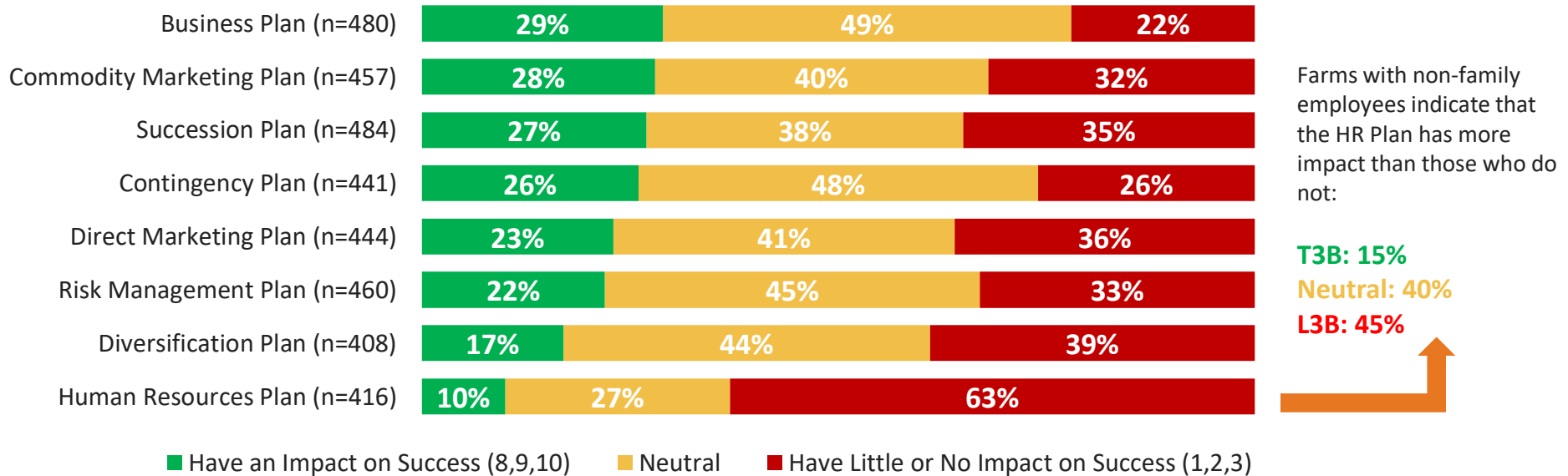
Q22. (To start), what describes your level of familiarity with a [INSERT PLAN], would you say you...? Base: Total Respondents(n=499)

FARM BUSINESS MANAGEMENT PLANNING

Impact of Business Management Plans on Success of Farm Business

- Less than 1/3 of farmers feel that any one plan has a significant impact on the success of their farm business.

% of Producers Aware of the Plans who believe they have an impact or not on farm success



Q23. To what extent does a/would a [INSERT PLAN] impact the success of your farm business? Please provide a rating from 1 to 10 where '1' means they have no impact and '10' means they have a significant impact. Base: Respondents who have heard of or know about each of the farm plantypes from Q22.



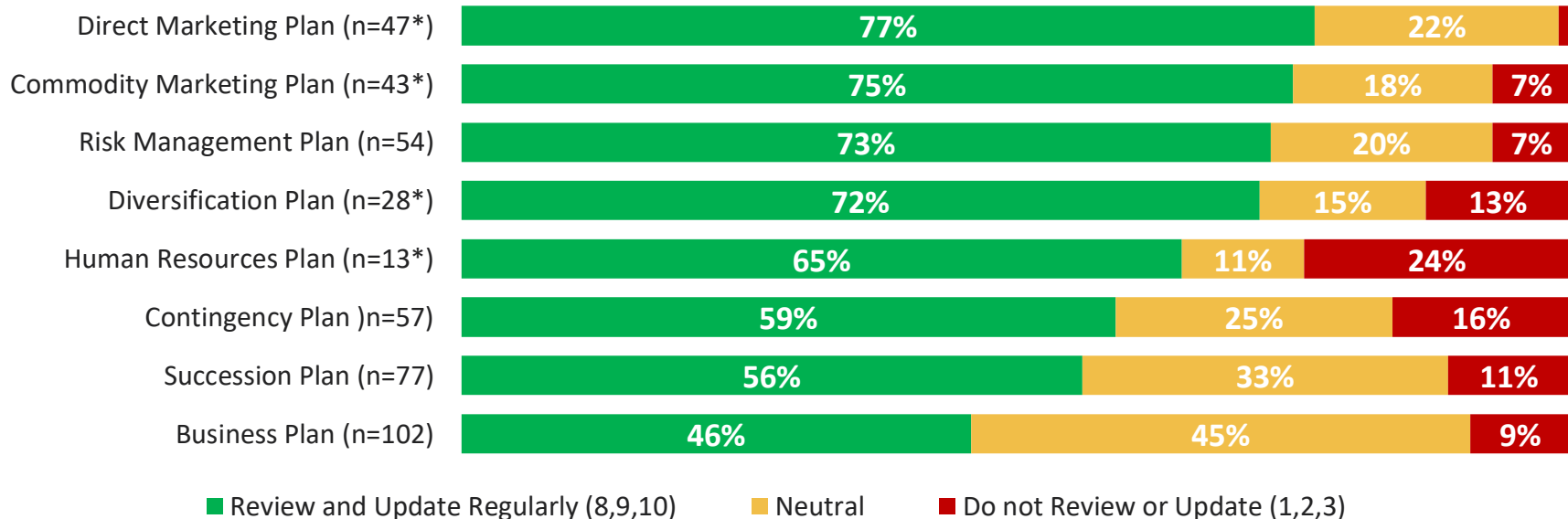
DEVELOPMENT & USE OF FARM BUSINESS MANAGEMENT PLANS

FARM BUSINESS MANAGEMENT PLANNING

Implementation and Review of Farm Business Management Plans

- If farmers have taken the time to develop plans, most review and update them regularly.
- The plans that are reviewed and updated most often are those that affect day-to-day activities on the farm, whereas the business plan is reviewed the least.

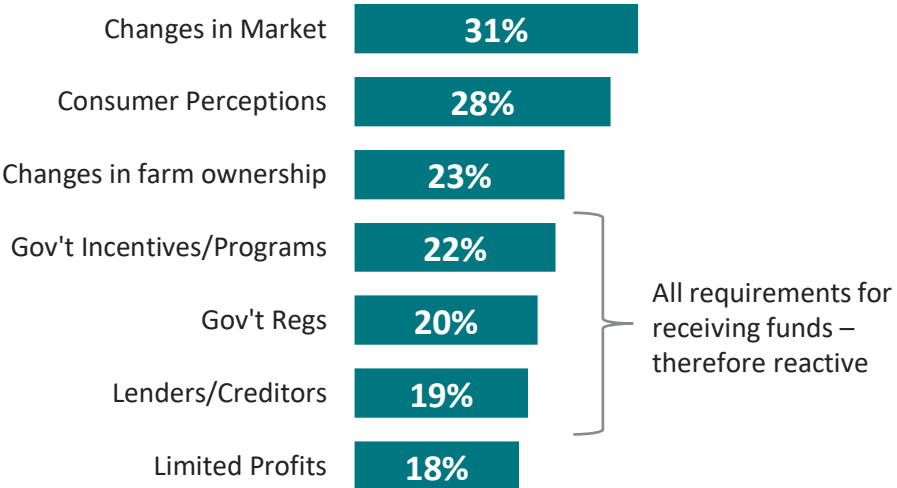
% of Producers who review and update their plans regularly and those who do not



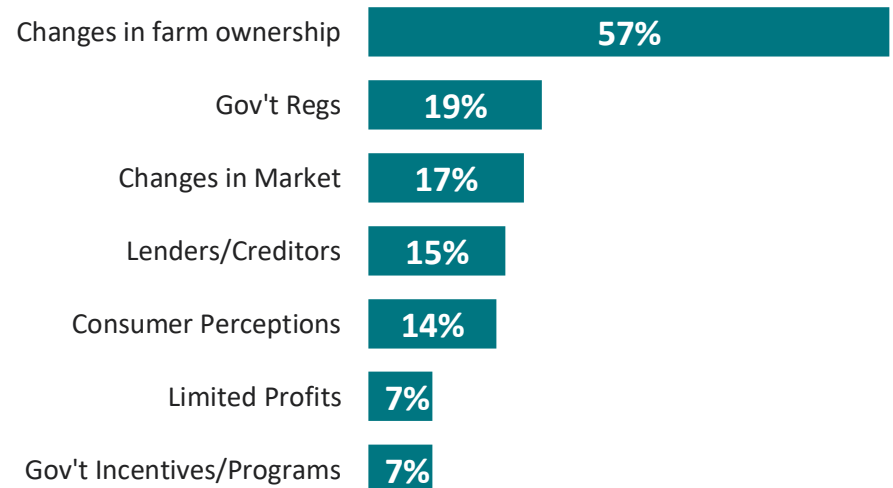
Q24. To what extent do you use and update your [INSERT PLAN]? Please provide a rating from 1 to 10 where '1' means you havenot reviewed or updated the plan, and '10' means that you review and update the plan at least annually. Base: Respondents who have completed these types of plans for their farm.

Drivers of Plan Development

BUSINESS PLANS (n=102)



SUCCESSION PLANS (n=77)

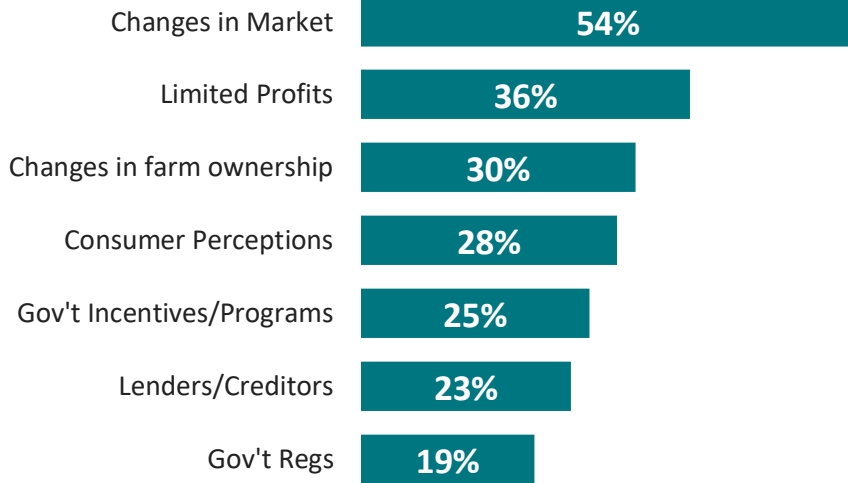


Q27. Thinking about your [INSERT PLAN]. Using a 10 point scale with '10' being 'to a great extent' and '1' being 'not at all', to what extent were the following important in driving or prompting you to develop these plans? Base: Respondents who have completed a plan in Q22.

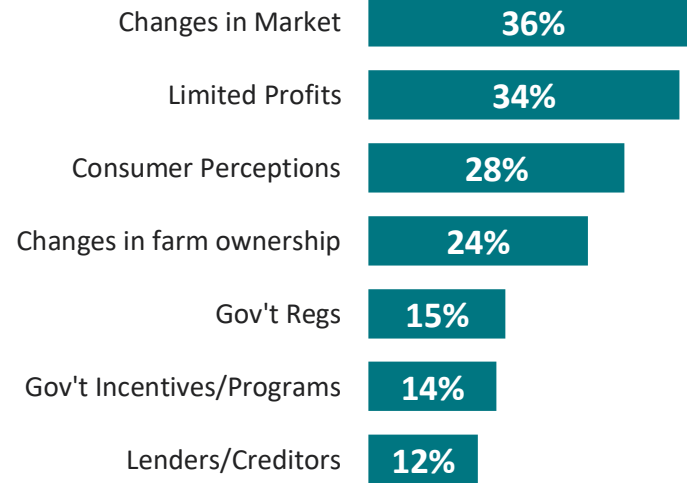
*Showing Top3Box (% of respondents that rated each drivers 8,9, or 10)

Drivers of Plan Development

COMMODITY MARKETING PLANS (n=43*)



DIRECT MARKETING PLANS (n=47*)

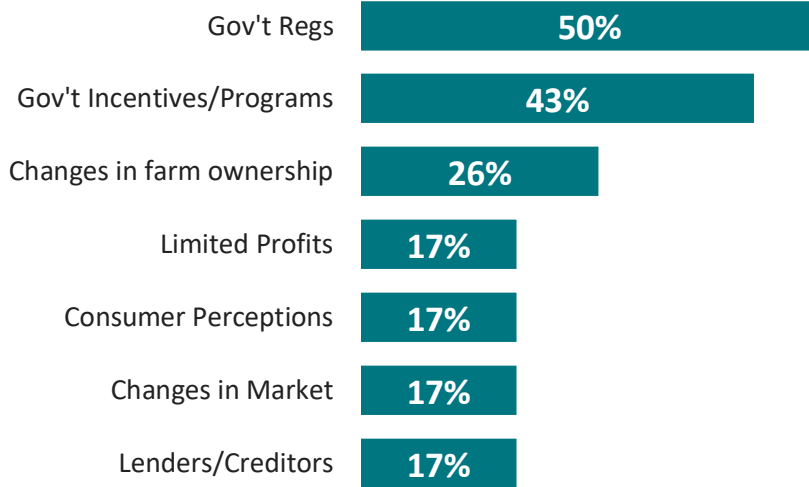


Q27. Thinking about your [INSERT PLAN]. Using a 10 point scale with '10' being 'to a great extent' and '1' being 'not at all', to what extent were the following important in driving or prompting you to develop these plans? Base: Respondents who have completed a plan in Q22.

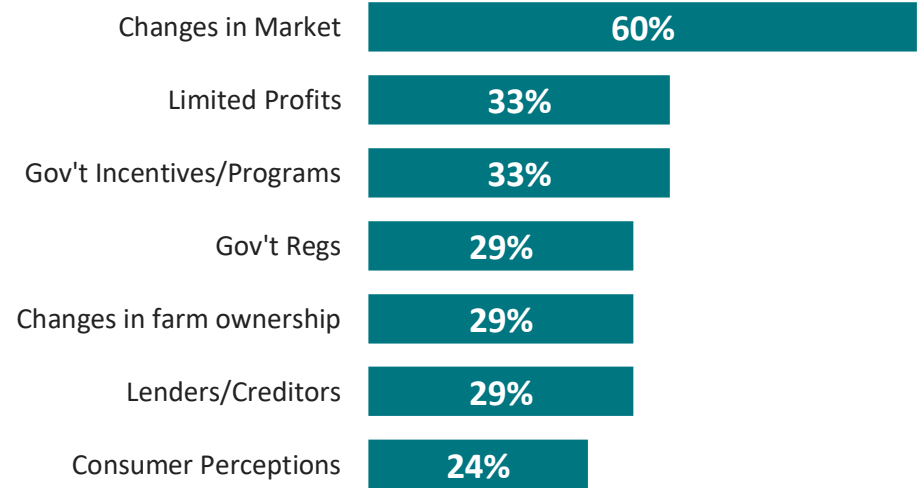
*Showing Top3Box (% of respondents that rated each drivers 8,9, or 10)

Drivers of Plan Development

HR MANAGEMENT PLANS (n=13*)



RISK MANAGEMENT PLANS (n=54)

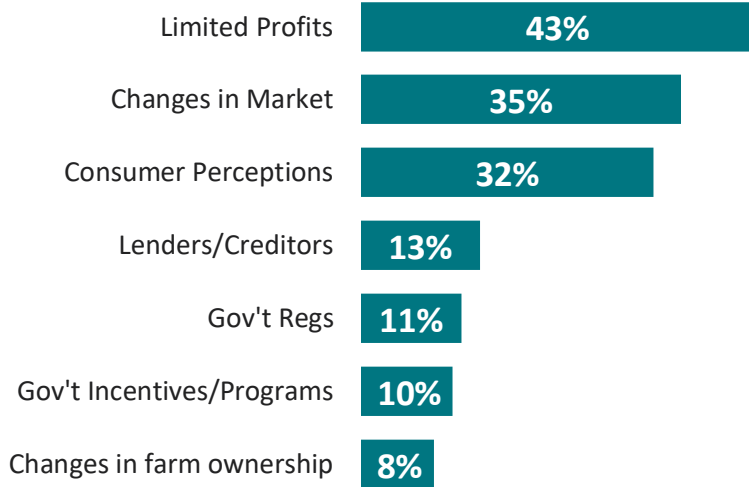


Q27. Thinking about your [INSERT PLAN]. Using a 10 point scale with '10' being 'to a great extent' and '1' being 'not at all', to what extent were the following important in driving or prompting you to develop these plans? Base: Respondents who have completed a plan in Q22.

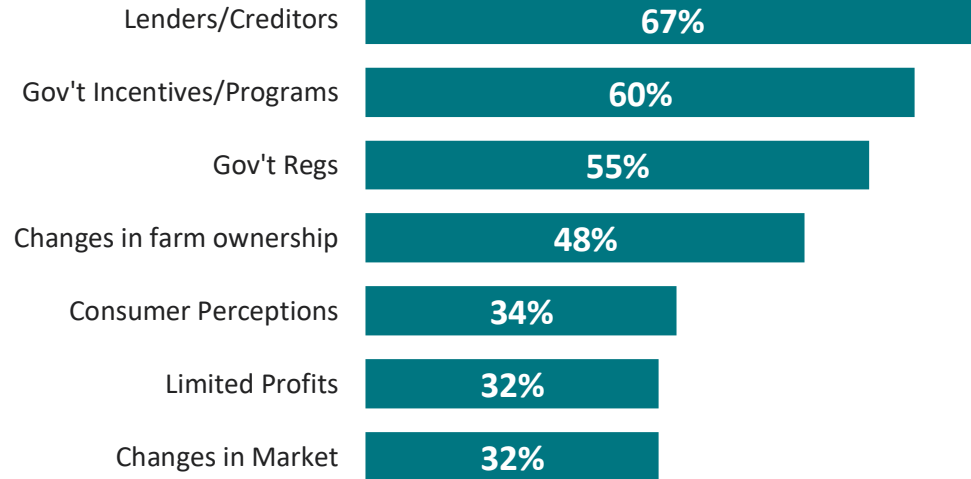
*Showing Top3Box (% of respondents that rated each drivers 8,9, or 10)

Drivers of Plan Development

DIVERSIFICATION PLANS (n=28*)



CONTINGENCY PLANS (n=28*)



Q27. Thinking about your [INSERT PLAN]. Using a 10 point scale with '10' being 'to a great extent' and '1' being 'not at all', to what extent were the following important in driving or prompting you to develop these plans? Base: Respondents who have completed a plan in Q22.

*Showing Top3Box (% of respondents that rated each drivers 8,9, or 10)

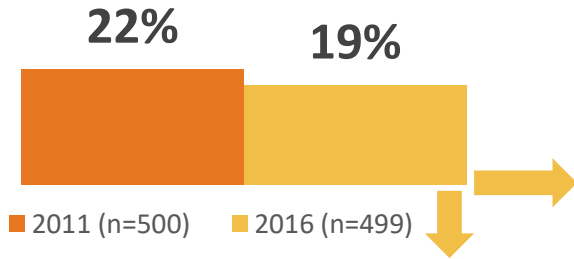


BRINGING IT ALL TOGETHER: THE USE OF A FORMAL WRITTEN BUSINESS PLAN

FORMAL WRITTEN BUSINESS PLAN

Development and Use of a Formal Written Business Plan

% OF RESPONDENTS WHO HAVE A FORMAL WRITTEN BUSINESS PLAN



Level of Implementation and Review

(n=95)

Have a plan and review it once per year

Not reviewed regularly

35%

51%

14%

ITEMS INCLUDED IN BUSINESS PLAN



Q31. Do you have a formal written business plan? It could include any or all of the following: overall goals, a financial plan, marketing plan, succession plan, risk management plan and/or a human resource plan.

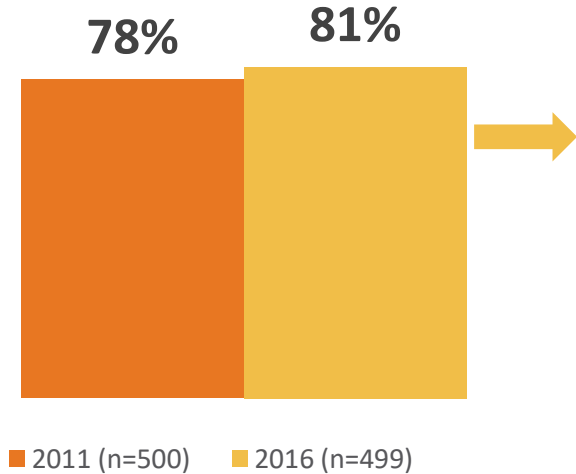
Q32. Where do you feel your business rates when it comes to having a formal plan for your farm business? Please provide a rating from 1 to 10 where '1' means we have not developed any kind of business plan for our operation; and '10' means we have a written business plan and review and update it at least once per year.

Q33. Which of the following are included in your formal written business plan?

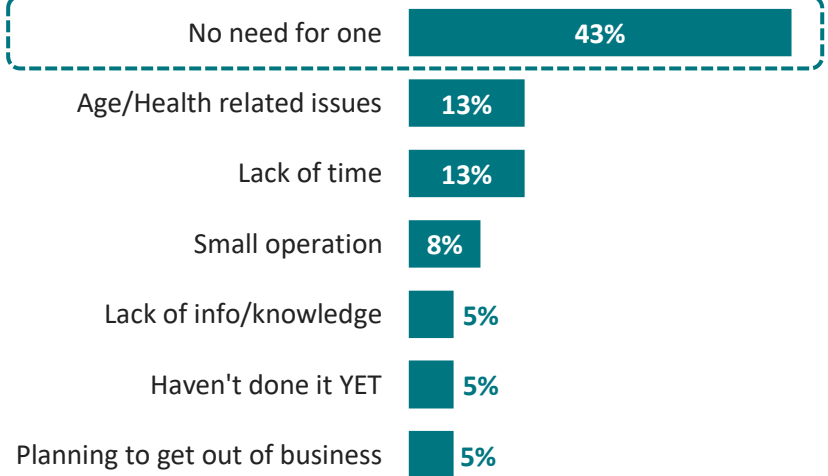
FORMAL WRITTEN BUSINESS PLAN

Reasons for Not having a Formal Written Business Plan

% OF RESPONDENTS WHO DO NOT HAVE A FORMAL WRITTEN BUSINESS PLAN



“WHAT’S HOLDING YOU BACK FROM DEVELOPING ONE?”



Q31. Do you have a formal written business plan? It could include any or all of the following: overall goals, a financial plan, marketing plan, succession plan, risk management plan and/or a human resource plan.

Q34. What’s holding you back from developing a business plan?



PERCEPTIONS OF IMPACT OF 'KEY DRIVERS OF FINANCIAL HEALTH'

Perceptions of Impact of Drivers of Financial Health

KEY DRIVERS BACKGROUND

As an extension to the '2011 Baseline Study of Farm Business Management Planning', AMI and FMC wanted to determine whether business management activities 'pay'. The purpose of the '2015 Dollars and Sense' report was to establish the degree to which farm business management practices are direct drivers of financial success.

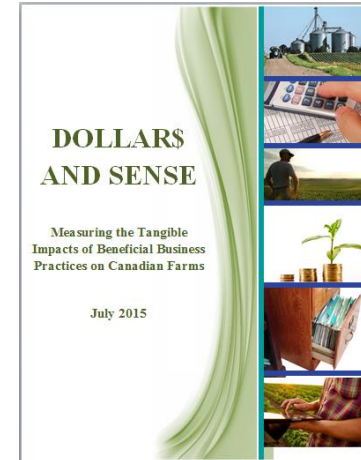
The research identified seven business management activities that, when adopted, are drivers of farm financial success (see right). That is to say that these activities are more likely to be present on financially successful farms and/or more likely to be absent on less financially successful farms.

In the '2016 Baseline Study Update' respondents were asked if they felt the 'key drivers' have an impact on the financial health of farm businesses. This provides a read on the 'believability' of the key drivers.

KEY DRIVERS OF FINANCIAL HEALTH

(FROM 2015 DOLLARS AND SENSE REPORT)

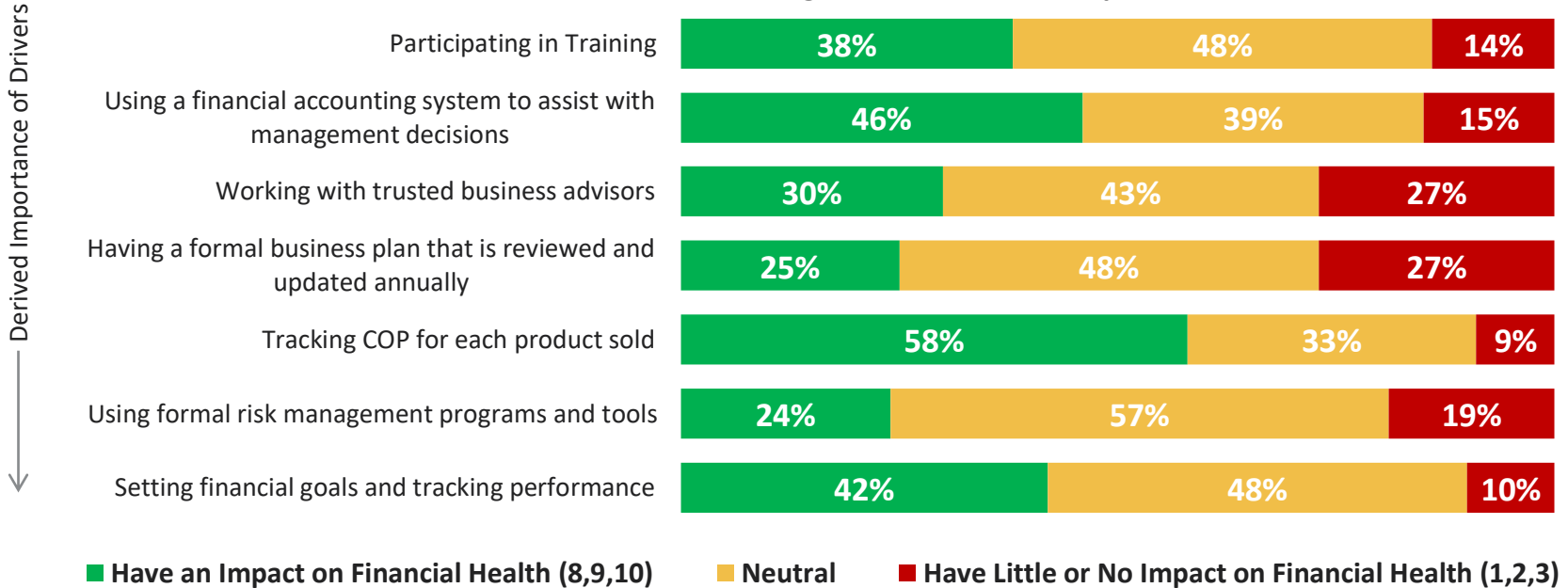
1. **PROPENSITY TO CONTINUALLY LEARN**
2. **BUSINESS DECISIONS MADE WITH ACCURATE FINANCIAL DATA**
3. **USE OF PROFESSIONAL BUSINESS ADVISORS**
4. **USE OF FORMAL BUSINESS PLAN**
5. **COST OF PRODUCTION MONITORING AND USE**
6. **RISK ASSESSMENT AND MANAGEMENT**
7. **USE OF FINANCIAL PLAN WITH BUDGET OBJECTIVES**



*See Appendix to view results by farm type.

Perceptions of Impact of Drivers of Financial Health

% of Producers who believe the following activities have an impact on farm financial health



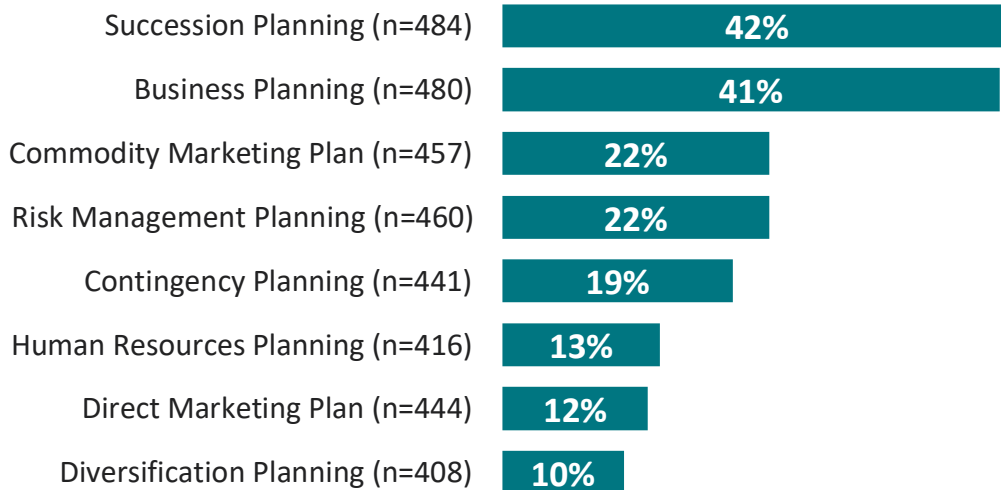
Q36. Using a scale from 1 to 10 where 1 means it has no impact on the financial health of farm businesses and 10 means it has a significant impact on the financial health of farm businesses, please indicate how much impact you feel the following business management activities have in improving the financial health of farm businesses. Base: All Respondents (n=499)



TRAINING AND CONSULTATION

Summary of Training/Consultation Penetration

% of Respondents who have received training in the following planning areas:



Not surprisingly, the topics with the most participation in training or consultation have been succession planning and business planning consultation.

Potential reasons for this:

- These are the plans that most farmers have developed, suggesting that consultation or training is required to help develop them
- These are the plans that are required to access funds, either from lenders or through government programs.

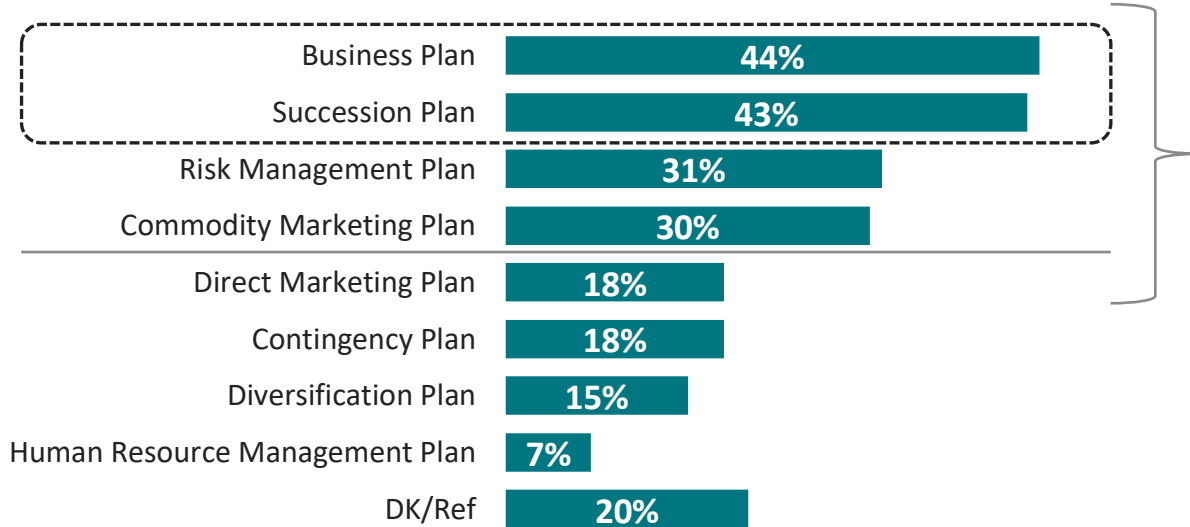
***See Appendix to view results by farm type.**

Q25. Have you ever received any outside training, consultation, and/or professional advice on how to develop a [INSERT PLAN]? Base: Respondents aware of the plans from Q22.

TRAINING AND CONSULTATION

Business Areas where more Training/Education Required

% of Respondents who would like more education/training in the following areas:



Note that the areas where respondents would like to have more training/education in, are those areas that respondents currently engage in the most training and education.

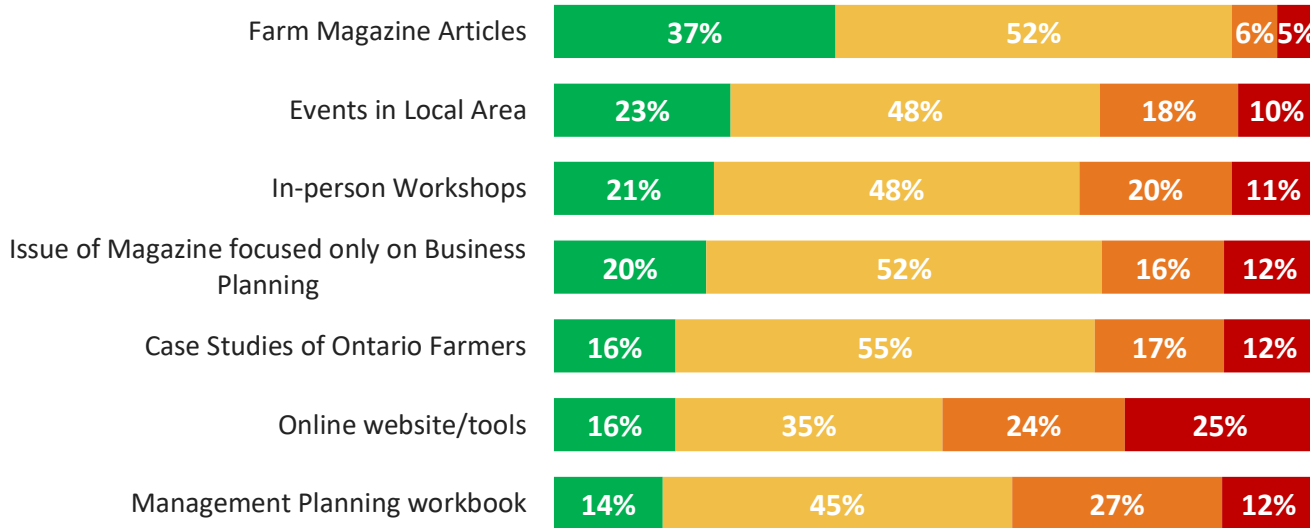
When given an open-ended question, respondents identified strategic planning as the area they most want additional information or training in.

Q30. Of the following types of plans, please select three that you feel you need the most training and education in, either to develop them for your farm or to learn how to better review and update them annually. Base: All Respondents (n=499)

Q38. When thinking about business management planning activities, what types of information or education do you need? Base: All Respondents (n=499)

Preferred Methods to Learn About Business Management Planning

% of Producers who would prefer the following methods of learning:



■ Strongly Prefer
 ■ Somewhat Prefer
 ■ Somewhat Do Not Prefer
 ■ Strongly Do Not Prefer

Respondents first prefer to learn about business management planning through articles posted in farm media.

Once they have had a chance to learn a little about various business planning activities on their own, respondents prefer more active and social ways of learning – through events and workshops.

Self-direct means of training such as workbooks or online tools are the least preferred method of learning.

Q37. Please indicate the extent to which you would prefer to learn about business management planning from each source using the following scale: strongly prefer, somewhat prefer, somewhat do not prefer, strongly do not prefer. Base: All Respondents (n=499)

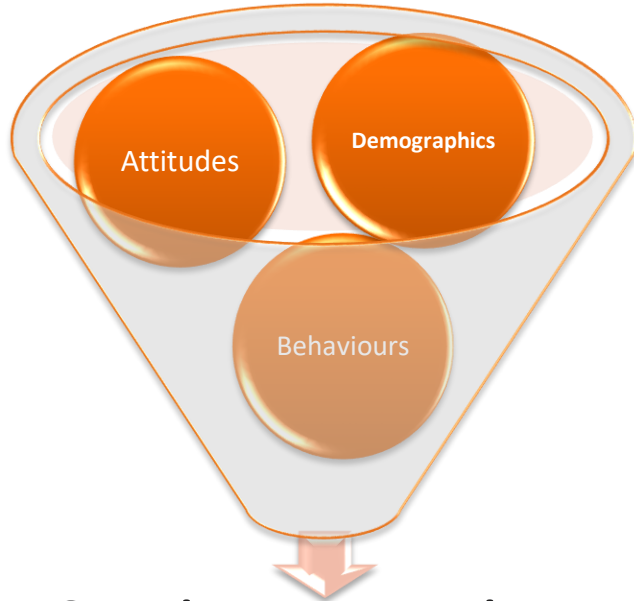


SEGMENTATION RESULTS

SEGMENTATION ANALYSIS

Methodology

As in the previous study, a segmentation of farmers based on demographics, business-planning attitudes and business-planning behaviors was conducted.



Ontario Farmer Business Planning Segmentation

Demographics:

- Farmer demographics, such as age, education and on and off farm career.
- Farm demographics, such as commodity type, gross farm sales and debt load.

Attitudes:

- Knowledge and awareness of business planning
- Attitudes towards business planning
- Attitudes and awareness of available resources

Behaviours:

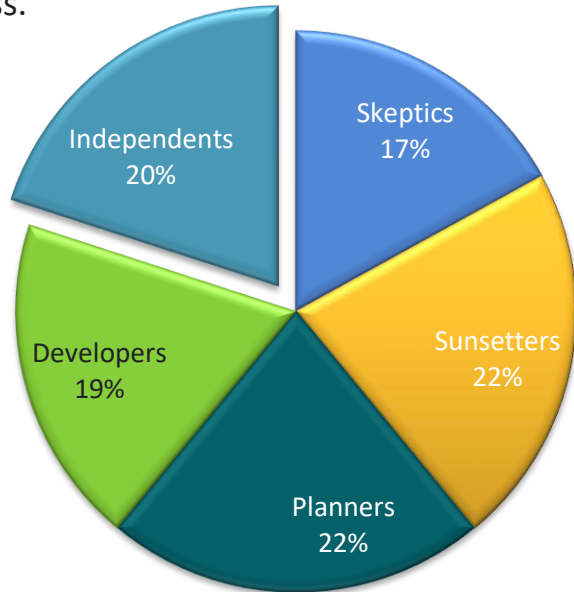
- Past and future farm business behaviour
- Level of farm assessment and planning
- Use of farm business resources

SEGMENTATION ANALYSIS

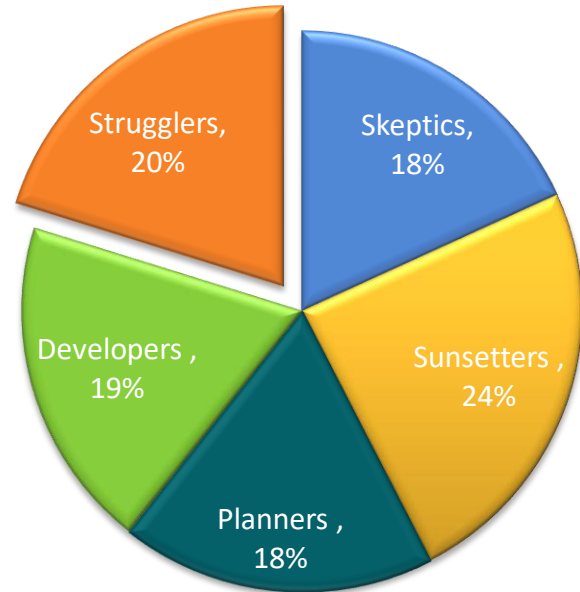
Results

- The results of the segmentation exercise in 2016 reveals the identity of 4 out of 5 segments identified in 2011 are still present. Analysis reveals, however, that the “Independent” segment is not as prominent as it once was.
- Instead, a “Strugglers” segment has emerged. This segment expresses many of the same attitudes and behaviors related to planning as the “Independents”, however, has a greater sense of pessimism toward their likelihood of success.

2011



2016



	Skeptics 18%	Strugglers 20%	Developers 19%	Planners 18%	Sunsetters 24%
Gross Farm Sales, Business Trend and Debt Level	<ul style="list-style-type: none"> • Average farm size • Business in decline • Average debt 	<ul style="list-style-type: none"> • Smallest farm size • Business is struggling* • High debt 	<ul style="list-style-type: none"> • Largest farm size* • Business is expanding* • Highest debt 	<ul style="list-style-type: none"> • Below average farm size • Business growing • Average debt 	<ul style="list-style-type: none"> • Below average farm size • Business is steady • Lowest debt*
% with a Written Business Plan	7%	9%	15%	58%	6%
Primary Barriers to Planning	<ul style="list-style-type: none"> - No Need - Lack of Information* 	<ul style="list-style-type: none"> - No Need - Small Operation Size - Lack of Information 	<ul style="list-style-type: none"> - No Need - Lack of Time* 	<ul style="list-style-type: none"> - No Need - Age/Health - Succession plan comes first* 	<ul style="list-style-type: none"> - No Need* - Age/Health - Small Operation Size
Planning Behaviours	<u>Very low</u> adoption rate	<u>Very low</u> adoption rate	<u>Average to high</u> adoption rate	<u>Highest</u> adoption rate	<u>Very high</u> adoption rate
Planning Attitudes	<ul style="list-style-type: none"> • Less likely to feel successful, achieving goals, poor work/life balance. • <u>More</u> likely to feel it is impossible to succeed due to external factors • Low confidence planning will make a difference 	<ul style="list-style-type: none"> • Less likely to feel successful, achieving goals, poor work/life balance. • <u>Most</u> likely to feel it is impossible to succeed due to external factors • Average confidence planning will make a difference 	<ul style="list-style-type: none"> • Feels successful, achieving goals, good work/life balance. • Actively pursuing technology/new methods • Low confidence planning will make a difference 	<ul style="list-style-type: none"> • Feels successful, achieving goals, good work/life balance. • Actively pursuing technology/new methods • Confident that planning will make a difference 	<ul style="list-style-type: none"> • Feels successful, achieving goals, excellent work/life balance. • Active in farm organizations • Low confidence planning will make a difference

*Highest response level among segments

SEGMENTATION ANALYSIS Results

With the emergence of the “Struggler” segment, a business planning progression path from one segment to another becomes evident:

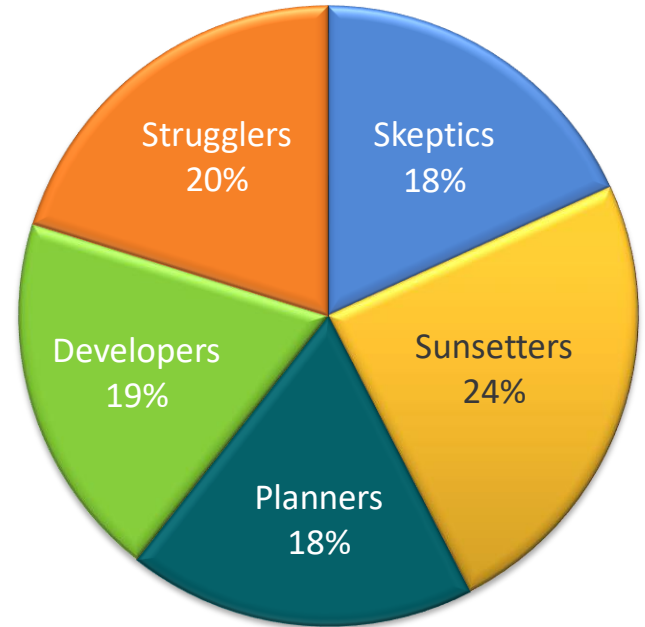
Prioritization of Planning Activities
- AND -
Adoption of planning behaviors



Formal written business plan



Need Recognition



Summary: Strugglers are aware their farms are in decline and are overwhelmed by debt. This segment has average alignment with planning activities and attitudes.

Tactics: Develop/promote programs to support the 1-in-5 Ontario farms who are struggling and express some degree of openness toward business planning. Programs should work both on planning and debt management within the context of current operation size/scale.

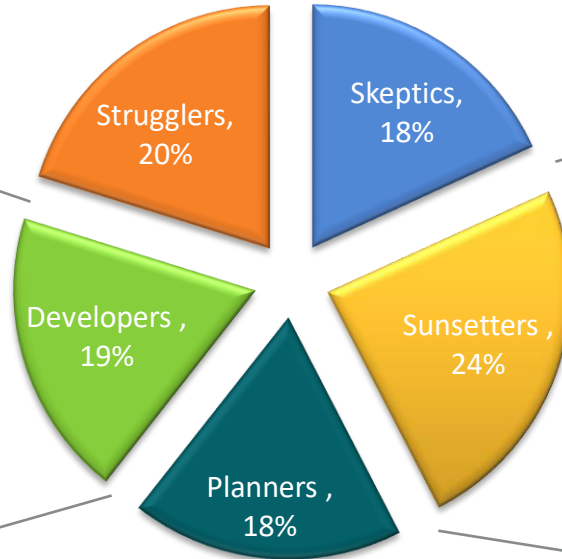
Summary: Skepticism toward planning defines this segment, however, making conversion very difficult. However, this segment's businesses are under performing and could benefit from planning assistance.

Tactics: Leverage Dollars and Sense study findings to promote financial/production benchmarking to reveal the extent and lost opportunity of underperformance to skeptics. These farms need help and are unlikely to believe they have the power to influence their success.

Summary: Developers feel successful, are optimistic about their future and are growing their operations rapidly. However, debt levels are the highest of all segments.

Tactics: Develop/promote programs to support aggressive growth strategies, technology adoption and financing.

Despite strong alignment with planning behaviors/attitudes, this segment has a much lower adoption rate for formal written business plans.



Summary: Sunsetters have worked hard over their careers to build stable, debt-free operations. As such, these experienced farmers tend to believe that business planning is not for them.

Tactics: Focus communications on succession planning and engagement of "next generation".

Summary: This segment represents the ideal combination of planning behavior and attitudes.

Tactics: Leverage their case studies, continue to support their desire for planning activities.



SUMMARY AND KEY FINDINGS

Goals and Objectives

- Top of Mind (Unaided) goals for farm operators are to:
 - Maintain a quality of life (13%)
 - Maintain production status quo (13%)
 - Improve profitability / Expansion (both 9%)
 - Plan for transfer of farm / Debt repayment (both 8%)

- Reducing farm debt has been an important goal the past five years:
 - Nearly half of respondents have reduced farm-related debts.
 - Then there is a dichotomy in strategies as nearly one-quarter of producers expanded their operation, while another significant proportion scaled-back and reduced production in one or more areas of their farm.
 - The proportion of those expanding, scaling back or changing production technologies suggests that improved efficiencies were an important goal amongst most producers.

- Improved Profitability Most Important Business Objective moving forward
 - Followed by improving efficiencies, reducing debt and getting ready for succession/transfer of business.

Farm Business Management Activities

Overall , management activities currently conducted on-farm have remained steady

- Keeping production records and using an accounting system to record income and expenses are the leading activities, followed by others that are less likely to affect day to day activities.
- Benchmarking, both finances and production, remain low in penetration, but this has increased since 2011.
- Tracking cost of production is steady
- All other activities are down, but only slightly



Farm Business Management Planning

Overall , planning awareness and implementation has declined significantly since 2011

One exception: Business Planning has improved since 2011

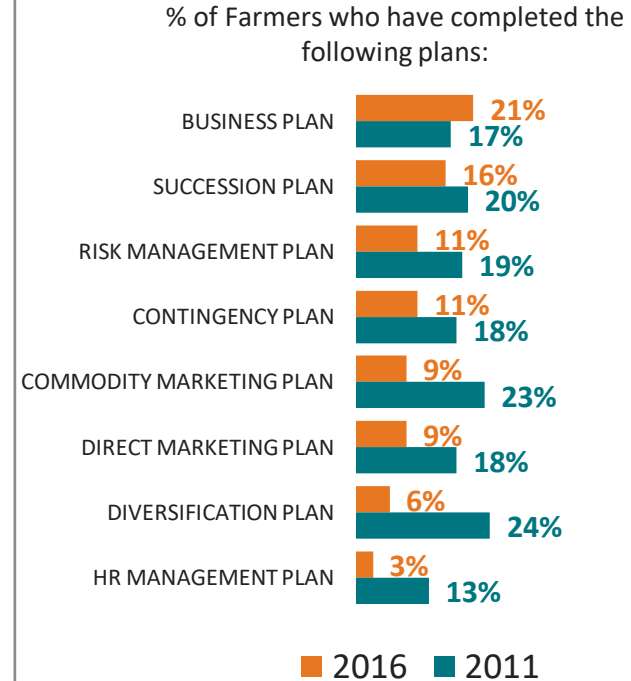
- More farmers have completed business plans
- Fewer farmers are unfamiliar with business plans
- Drivers of these plans include changes in markets and requirements for receiving funds such as lenders and government programs

Awareness and implementation of all other plan types has declined

- Less than 20% of farmers have completed any of the other types of plans

Potential reasons for decline:

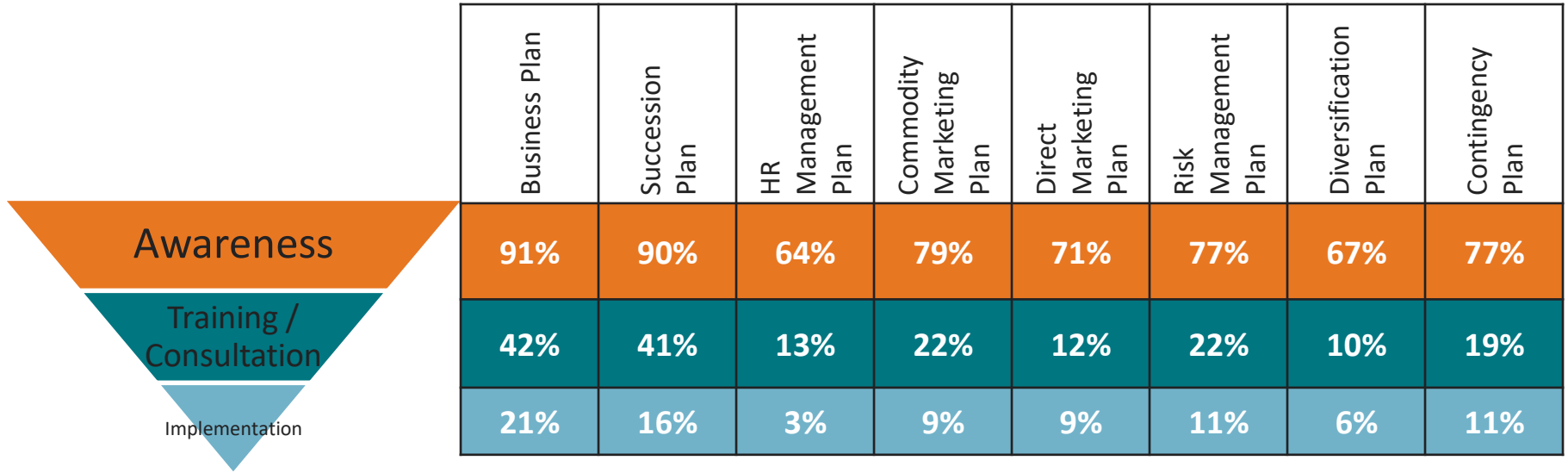
- Could be that producers have one business plan that they work from
- Farms more financially secure therefore planning has declined
 - Economic climate compared to 5 years ago
 - Have a false sense of security



Perception of Planning & Management Activities

- Overall , individual management activities have more penetration than ‘planning’ activities
 - Suggests that respondents understand how to and the need for management activities more so than developing plans
 - Respondents conducting activities that are useful to their day-to-day, whereas they don’t see that with the plans
- Only 1/3 or less of farmers feel that various plans have any impact on the success of their farm businesses
 - Business plans, commodity marketing plans and succession plans were identified as plans with the most impact; whereas HR plans have the least impact
- Non-planners feel that plans are not necessary and do not see the benefit to planning
 - A significant education opportunity for AMI leveraging the Dollars and Sense Study 2015
 - There is currently a lack of understanding on how the ‘drivers of financial health’ can impact an operation

Planning Engagement



- Business and Succession Planning have had the most penetration and are also the topics that farmers want more information/training in.
 - This is not surprising, as it is these plans that are required for many lenders/programs, while others are not and succession of many operations will be taking place in the next 5-10 years.
 - Penetration of other plans may be more proactive.

Training and Consultation

- Leverage the 2015 Dollars & Sense study to show value of planning and other management activities
 - A large proportion of those respondents that have not completed plans state that they are unnecessary to succeed
 - However, respondents' goals are to become more profitable.
 - Dollars & Sense provides evidence that key management and planning drivers affect financial health
- Provide information to farmers, then create social/in-person training and consultation opportunities
 - Farmers want to read about farm business management plans and activities in the farm media, likely so they have an understanding of the topic before any further training or consultation
 - Further training or consultation needs to be in person either through workshops or events held in their area
 - Self directed training is the least preferable method
- Partner with accountants and lawyers to disseminate information
 - Most consultation is taking place through accountants and lawyers
 - Very few farm associations are being consulted; unless it pertains to RMPs

Farmer Planning Segmentation Results

- The results of the segmentation exercise in 2016 reveals the identity of 4 out of 5 segments identified in 2011 are still present. Analysis reveals, however, that the “Independent” segment is not as prominent as it once was.
- Instead, a “Strugglers” segment has emerged. This segment expresses many of the same attitudes and behaviors related to planning as the “Independents”, however, has a greater sense of pessimism toward their likelihood of success
- With the emergence of the “Struggler” segment, a business planning progression path from one segment to another becomes evident:



Summary: Strugglers are aware their farms are in decline and are overwhelmed by debt. This segment has average alignment with planning activities and attitudes.

Tactics: Develop/promote programs to support the 1-in-5 Ontario farms who are struggling and express some degree of openness toward business planning. Programs should work both on planning and debt management within the context of current operation size/scale.

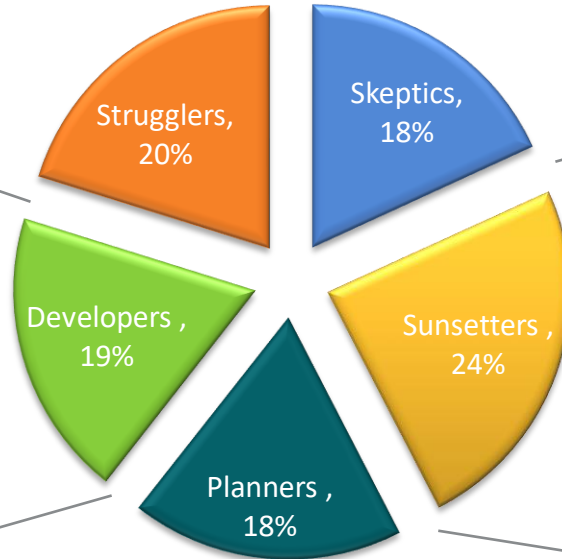
Summary: Skepticism toward planning defines this segment, however, making conversion very difficult. However, this segment's businesses are under performing and could benefit from planning assistance.

Tactics: Leverage Dollars and Sense study findings to promote financial/production benchmarking to reveal the extent and lost opportunity of underperformance to skeptics. These farms need help and are unlikely to believe they have the power to influence their success.

Summary: Developers feel successful, are optimistic about their future and are growing their operations rapidly. However, debt levels are the highest of all segments.

Tactics: Develop/promote programs to support aggressive growth strategies, technology adoption and financing.

Despite strong alignment with planning behaviors/attitudes, this segment has a much lower adoption rate for formal written business plans.



Summary: Sunsetters have worked hard over their careers to build stable, debt-free operations. As such, these experienced farmers tend to believe that business planning is not for them.

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